
Northwest ENERGY STAR Lighting: Ten Years of Market Change

Overview

- CFL Market Changes
- NEEA Program approach
- NW Impacts
- Tipping Point Indicators

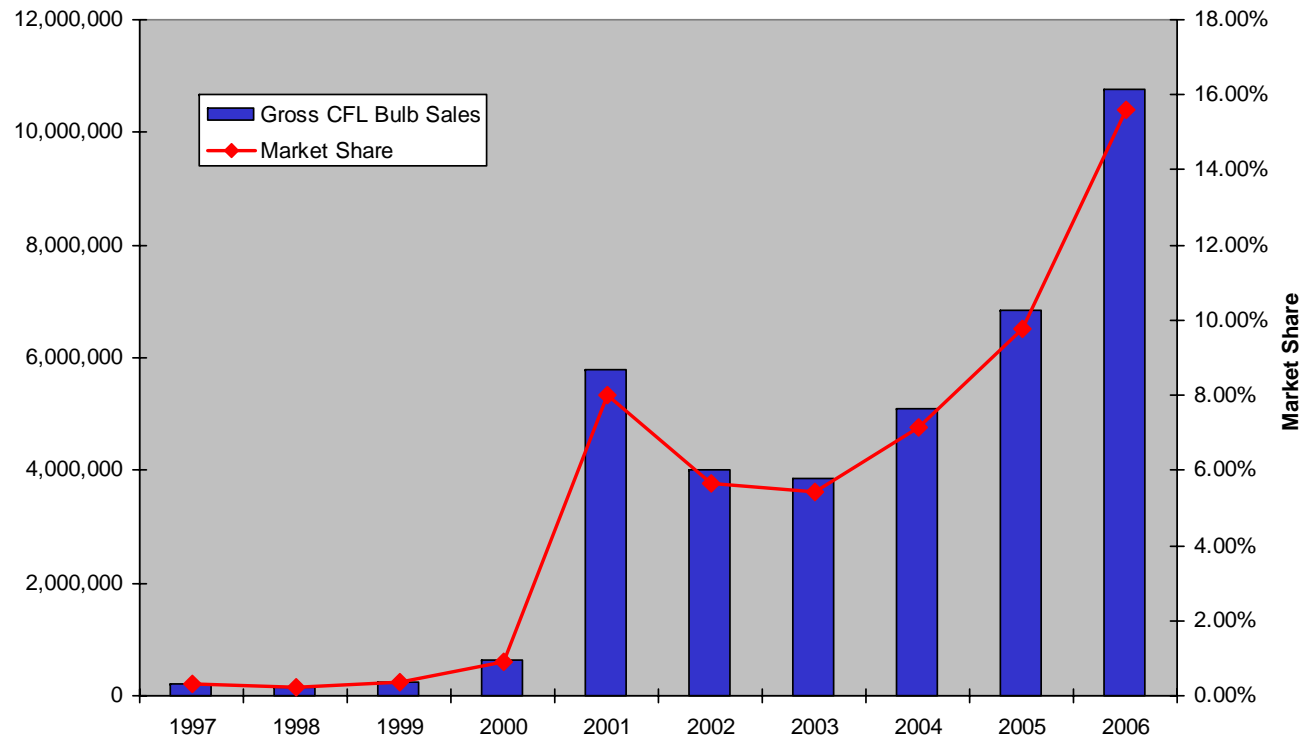
CFL Market Changes: Pre-2001

- 1996—NW market share of CFLs significantly less than 1%
- Market barriers were huge:
 - Ave. price ranged from \$14-\$24 (2006\$)
 - Huge compared to incandescents; (most common shape was double bias at 10 inches long)
 - Poor quality: (odd color, glare, noise, slow-start, lifetime)
 - Availability: Only about 1 in five stores carried CFLs
 - Awareness: While awareness was relatively high (~50%) much confusion about what CFLs really were
 - Purchase rates (% of consumers who have ever purchased a CFL) were relatively low <15%

CFL Market Changes: Post-2001

- CFL sales in NW spiked to 6.5 million 2001, dropped to 3.8 million in 2002 and increased to over 10 million in 2006 (highest per household in US)
- New manufacturers enter the market; off-shore production ramps up
- Prices have dropped significantly—average below \$5
- Products had more consumer appeal (twister style) and improved quality

CFL Gross Bulb Sales and Screw-Base Bulb Market Share



Drivers of Change

- Response to 2001 West Coast Energy Crisis-- regional coupon campaign (\$6 discount)
- Industry response to PNNL sub-CFL procurement (smaller sized product)
- National third-party product testing via Program for Evaluation and Analysis of Residential Lighting (aka “PEARL testing”)
- Tightening of the ENERGY STAR spec in response to PEARL test results (light output and life rating)

Program Evolution: CFLs

- Program emphasis on retail education and merchandising—Home Depot, Lowes, Costco, some drug, discount, small hardware
- Influence national direction on product quality, spec development
- As market progressed, focus on expanding products into new retail outlets with volume pricing (manufacturer buydown)

NEEA CFL Goals

- Increase annual sales by 1 million per year
 - Status: 2006 sales increased by 3.2 million to 10 million
- CFL removal rate does not increase; 80% of purchasers intend to replace CFL with CFL
 - Status: goal was met in 2005
- Expand retail distribution in smaller markets of NW
 - Status: Twister-style CFL available in big box retail, but price still higher in smaller markets; limited availability

CFL Market: 2007-2009

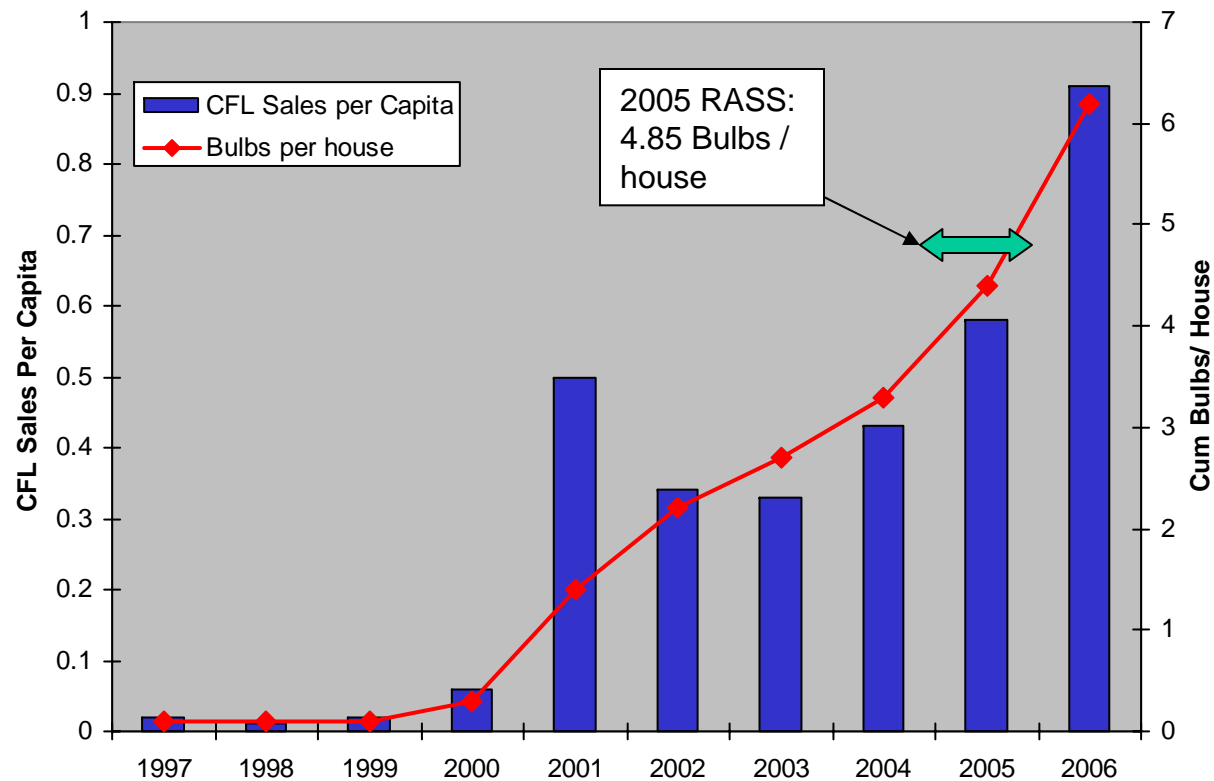
Approach

- Continue to meet first two CFL goals
 - Increase annual CFL sales by 1 million incrementally, or 10.8 million by 2009
 - Monitor CFL removal rate (approx. 3%); maintain CFL replacement intention at 80%
- *Focus on third goal*--Expand distribution & lower pricing in smaller markets
 - Target distribution in laggard market channels (drug, grocery, small hardware)
 - Increase trial purchase opportunity (build demand)
 - Use *Savings With a Twist* promotion in fall to target retailers, product and pricing

Key CFL Indicators of Success

- Total annual sales of CFLs reach 10.8 million
- At least 80% of CFL purchasers intend to replace CFL with CFL
- *New Goal 3 indicators:*
 - Increase shelf space of CFLs in drug, grocery & hardware from 8.5% to 12% by 2009
 - Increase annual rate of CFL purchases in east-side states by 500,000 units
 - Lowest average price for ENERGY STAR CFLs drops to \$3 (from \$4.50) in the non-big box stores

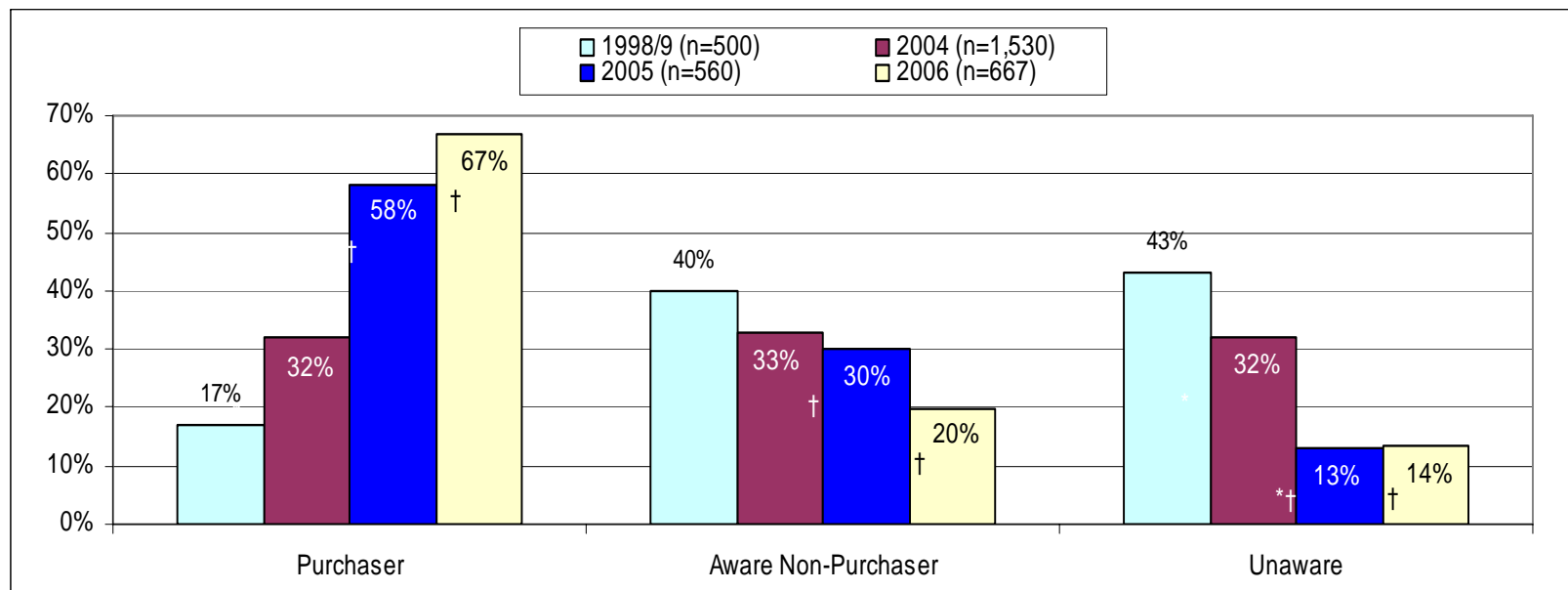
Per Capita Bulb Sales and Estimated Bulbs per Household



Note: Estimated bulbs per house includes reduction for CFL burnouts

The proportion of consumers purchasing CFLs continues to increase overall

CFL Purchase and Awareness



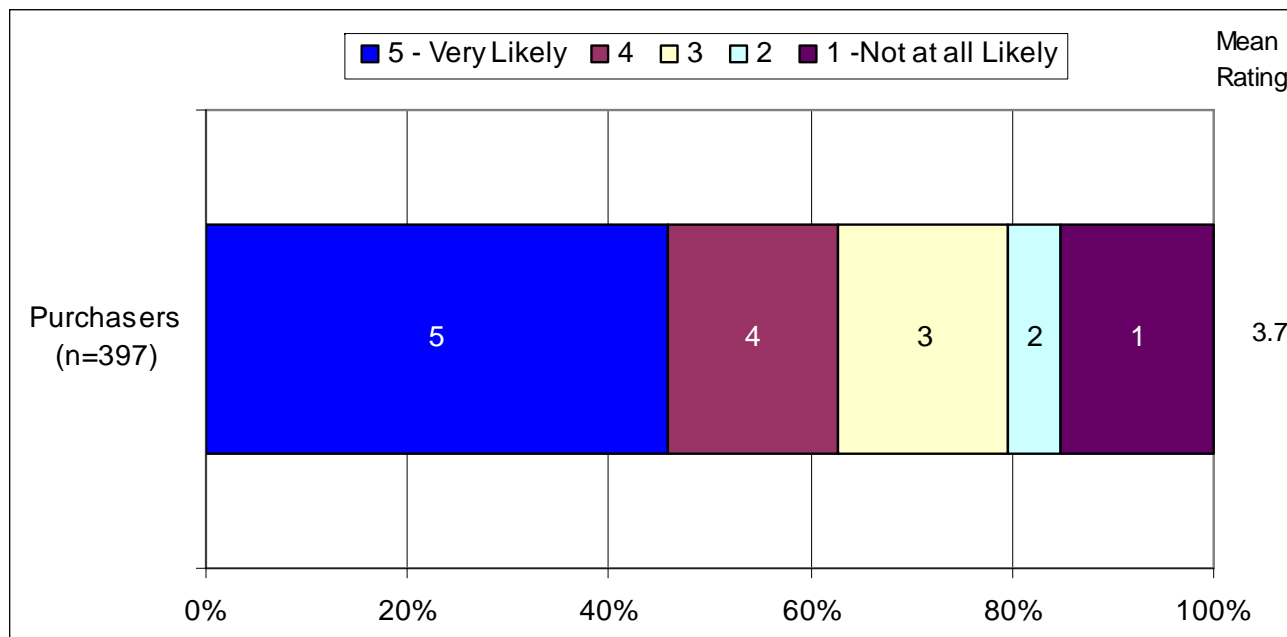
* Differences between 2004 and 2005 within the purchaser and unaware segments are statistically significant at the 90 percent level of confidence.

† Differences between 2005 and 2006 within all three segments are statistically significant at the 90 percent level of confidence.

Source: Consumer Lighting Survey, 2004-2006. (Responses to several questions were compiled to create this figure.)

Nearly 80 percent of CFL purchasers are at least somewhat likely to purchase CFLs within the next year

Likelihood CFL Purchase within the Next Year (Among CFL Purchasers)

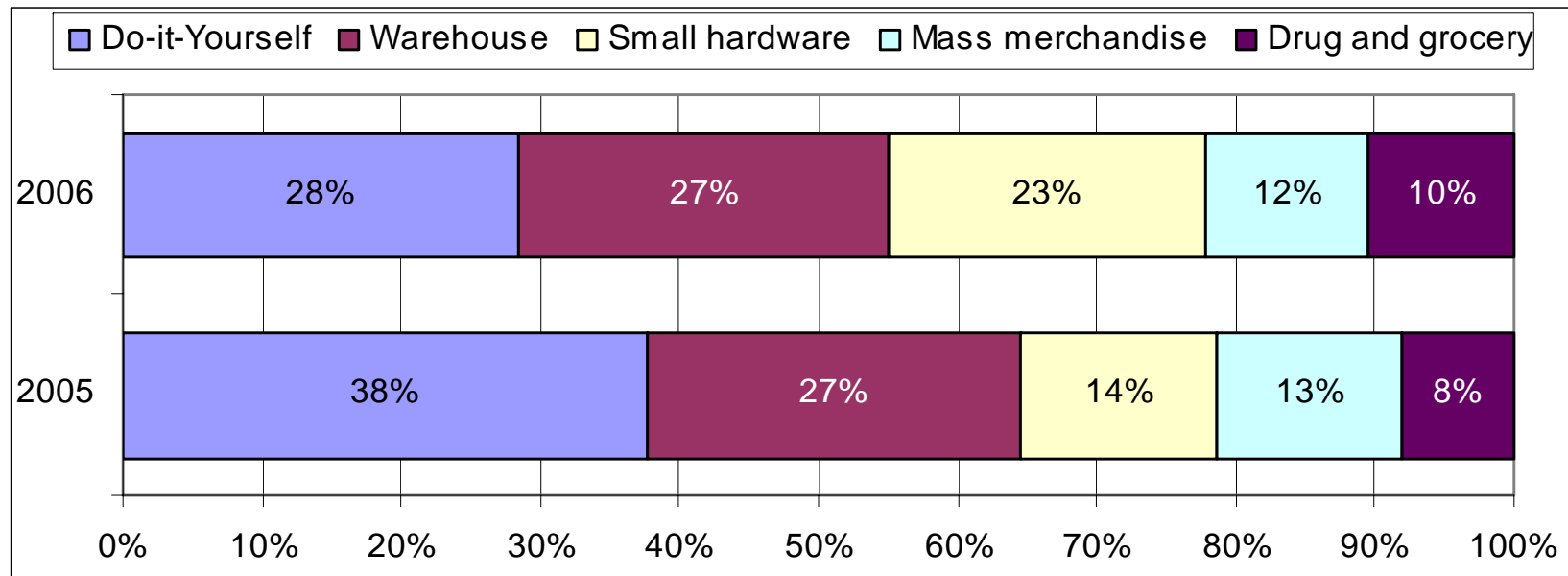


Differences between 2005 and 2006 responses are not statistically significant.

Source: Consumer Lighting Survey, 2006. Question F1: "How likely are you to purchase any CFLs in the next year? Use a scale of 1 to 5 where 1 means you are 'Not at all likely' and 5 means you are 'very likely'."

In 2006, total CFL market share decreased in “big box” stores and increased in small hardware stores

Proportion of Northwest CFL Sales by Store Type, 2005 and 2006



2005 n = 6,832,478 (99% of total 2005 CFL sales); 2006 n = 9,251,907 (92% of total 2006 CFL sales).

Source: Fluid Market Strategies Sales Report, Q4 2006.

CFL Tipping Point Indicators

National Market:

- Wal-Mart—world's largest retailer pushing CFLs....major impact on regional and national market
- 2006 total CFL sales—100 million (up from 43 million in 2005); mfrs projecting 200 million in 2007
- Media attention: Popular Mechanics, Outside Magazine, NYT, WSJ, etc.
- Policy attention on incandescent phase-out

NW Market:

- Even with millions in utility rebates on CFLs, 3 out of 4 CFLs sold in region were purchased *without* rebates
- NW region on track for 2007 sales of 15 million...expect 18.5 million in 2008 and 23 million by 2009.
- Translation of 23 million=50% socket saturation!

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